

Liability for Compensated Absences in Governmental Funds

Governmental Accounting Standards Board (GASB) Interpretation No. 6 clarified the applications of standards for modified accrual recognition of certain liabilities and expenditures, which included compensated absences. Procedure 609 has been updated to reflect this Interpretation. LEAs should implement this guidance simultaneously with their GASB 34 implementation.

This procedure provides guidance in the accounting and reporting of the liability for compensated absences. Compensated absences include vacation leave benefits earned but not yet taken by employees, sabbatical leave, and those accumulated unused sick days that will be paid to employees upon their termination or retirement. In most LEAs, sick leave days typically are not included as a liability since they are not normally paid as termination benefits.

Generally accepted accounting principles require school districts and county offices of education to report the full liability for compensated absences as they are earned by employees. The calculation of the liability should include certain payments associated with payment for compensated absences, such as the employer's share of Social Security, Medicare taxes, PERS, SUI, and Workers' compensation.

Expenditures for compensated absences are only recognized in the governmental funds when they come due for payments in each period. There is no distinction made between the current and long-term portions of the liability for compensated absences. This means amounts expected to be paid within the next fiscal year should not be recognized, only the amounts that have actually become due and payable as of the end of the fiscal year because relevant events have occurred, such as employee resignations and retirements.

The unmatured portion (the portion that has not yet come due for payment) of the liability for compensated absences is recognized as long-term debt in the government-wide statement of net assets. For those LEAs that have not yet implemented GASB 34, the unmatured portion is recognized in the General Long-Term Debt Account Group.

The following guidance for reporting compensated absences in the General Long-Term Debt Account Group is included for the benefit of those LEAs that have not yet implemented the new governmental reporting model established by GASB 34.

The following journal entry illustrates the recording of compensated absences in the General Long-Term Debt Account Group:

<i>General Long-Term Debt Account Group</i>		
DR Amount to Be Provided (9685)	\$80,150.00	
CR Compensated Absences Payable (9585)		\$80,150.00
To record the liability for compensated absences		

The entry using the standardized account code structure (SACS) would be:

<i>General Long-Term Debt Account Group</i>		
DR Amount to Be Provided (97-0000-0-0000-0000-9989-000)	\$80,150.00	
CR Compensated Absences Payable (97-0000-0-0000-0000-9665-000)		\$80,150.00
To record the liability for compensated absences		